

AR14

# 1974 REPORT



... meeting new challenges



## OUR COVER . . . . .

. . . . . suggests the changing "frames of reference" — the new challenges our people face as we enter the last half of the seventies.

During the past year the economy here in North America and abroad, has been disrupted by the energy crisis and accelerating inflation. These problems and their effect on the business community, worldwide, may persist for some time. Our challenge is to meet and cope with these ever-changing conditions.

Our Report, which follows, reviews the results for the past year and presents the formal financial statements. It also presents a brief picture of our current operating organization, and our updated plans to meet the new challenges of the future.

# ANNUAL REPORT 1974

RESULTS IN BRIEF	1974	1973
SALES	<b>\$90,051,000</b>	\$97,735,000
NET INCOME	<b>2,408,000</b>	4,649,000
DEPRECIATION AND AMORTIZATION	<b>4,192,000</b>	3,411,000
CASH FLOW*	<b>6,600,000</b>	8,060,000
NEW INVESTMENT IN PLANT AND EQUIPMENT	<b>3,825,000</b>	6,571,000
CASH DIVIDENDS PAID	<b>1,461,000</b>	1,368,000
SHAREHOLDER'S EQUITY	<b>29,662,000</b>	28,704,000
NET INCOME PER SHARE	<b>\$ .40</b>	\$ .78
CASH DIVIDEND PER SHARE	<b>\$ .24</b>	\$ .23
EQUITY PER SHARE	<b>\$4.96</b>	\$4.80
NUMBER OF SHAREHOLDERS	<b>2,550</b>	2,400

\*Net Income plus Depreciation and Amortization



HAYES-DANA LIMITED  
THOROLD, ONTARIO

# NEWS RELEASE

416/227-3751

AR14



HAYES-DANA LIMITED THOROLD, ONTARIO

September 30, 1974

TO OUR SHAREHOLDERS:

At their meeting on September 25, 1974, your directors reviewed and approved the audited annual accounts of the Company for the year ended February 28, 1974.

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AR14



a member of  
the DANA group...  
a multi-national  
organization

TURNING POWER  
INTO PROGRESS  
AROUND THE WORLD

## report

FOR THE  
FIRST SIX MONTHS  
ENDED  
FEBRUARY 28th,  
1974





**HAYES-DANA LIMITED** THOROLD, ONTARIO

To our Shareholders:

Sales for the first six months of our current fiscal year were \$51,248,000, 8% higher than the \$47,381,000 last year. The increase was entirely due to shipments from our Drive Train Division plants which continue to operate at capacity to meet the schedules of the manufacturers of trucks and small passenger cars, and from our aftermarket operations.

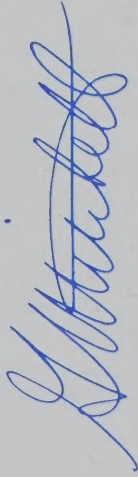
The unexpectedly severe decrease in sales of automobiles in the United States resulted in schedule cuts in our Frame Division, and during the second quarter we operated well below capacity. While this had a significant effect on our earnings, the impact was eased by the buoyancy of the Drive Train operation and by cost-saving measures throughout all our Divisions. For the six months net income was \$2,023,000, equal to 34 cents per share, compared to 39 cents in 1973, restated to recognize the 5% stock dividend in October.

With dealer inventories of intermediate cars remaining at high levels, our Frame

Our earnings will remain under pressure because of the severe inflation currently being experienced in Canada. Frequent increases in the cost of the material and supplies we purchase, including significant surcharges on steel, make it difficult to keep selling prices current.

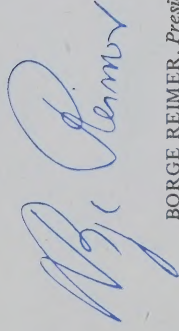
There is considerable momentum in most sectors of our economy with the exception of passenger car sales. We believe that this condition will prevail at least at today's pace for the next several months. We still look for a significant upturn in all areas before the end of 1974 as the effects of current problems ease.

We enclose a cheque in payment of the quarterly dividend declared by the Board of Directors, and payable today to shareholders of record March 15, 1974. The amount of the dividend is at the rate of 6 cents per share on the Class A common shares and the equivalent amount of 5.1 cents per share on Class B common shares.



G. B. MITCHELL, *Chairman of the Board*

March 29, 1974



BORGE REIMER, *President*

**COMPARATIVE RESULTS**

(UNAUDITED)

	SIX MONTHS ENDED FEB. 28 1974	\$51,248,000	\$47,381,000
Sales			

Costs and Expenses	47,742,000	43,279,000
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Income from Operations	3,506,000	4,102,000
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Taxes on Income	1,483,000	1,786,000
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Net Income	2,023,000	2,316,000
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Per Share	34 cents	39 cents
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**CONSOLIDATED STATEMENT OF  
SOURCE AND USE OF FUNDS**

(UNAUDITED)

	SIX MONTHS ENDED FEB. 28 1974	FEB. 28 1973
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**SOURCE OF FUNDS:**

Net Income	\$ 2,023,000	\$ 2,316,000
Charges not requiring current funds -		
Amortization of deferred expenses	429,000	—
Depreciation	1,709,000	1,847,000
Deferred income taxes	375,000	475,000
Funds from operations	\$ 4,536,000	\$ 4,638,000
Debture proceeds	—	3,500,000
Capital stock issued	11,000	—
	\$ 4,547,000	\$ 8,138,000

**USE OF FUNDS:**

Additions to plant and equipment (net)	\$ 1,538,000	\$ 2,580,000
Dividends	717,000	684,000
Increase in other assets, before amortization of deferred expenses	166,000	18,000
Reduction of long-term debt	1,000,000	500,000
	\$ 3,421,000	\$ 3,782,000
Increase in working capital	\$ 1,126,000	\$ 4,356,000





September 30, 1974

## TO OUR SHAREHOLDERS:

At their meeting on September 25, 1974, your directors reviewed and approved the audited annual accounts of the Company for the year ended August 31, 1974. The published accounts, together with the formal notice of our annual meeting, to be held on Wednesday, November 6, 1974, will be mailed to all shareholders in October.

At the same meeting, your directors declared the regular quarterly dividend in the amount of 6 cents per share on the Class A Common shares and in the equivalent amount of 5.1 cents per share on the Class B Common shares. The dividend is payable December 27, 1974, to shareholders of record December 13, 1974.

At the conclusion of the meeting, the following release was made to the press and wire services:

"Hayes-Dana Limited, of Thorold, Ontario, today announced sales for the fiscal year ended August 31, 1974, of \$90,051,000, compared to \$97,735,000 last year. The decrease was attributable to the weakness of the passenger car market during the past nine months and to the strike which shut down the company's Frame, Forge and Drive Train plants.

As a result, net income for the year was \$2,408,000 or 40 cents per share compared to the \$4,649,000 or 78 cents per share earned in 1973, restated to recognize the 5% stock dividend in October 1973.

The lengthy strike, almost seven weeks, that occurred during the fourth quarter, was costly and resulted in a loss for the period. The three year contract, however, was in line with the best settlements accepted by the industry and included those elements that are important and necessary to allow the company to be competitive in the market it serves.

During the strike, Hayes-Dana was able to supply its customers through alternate sources. Some frame dies and tools were transferred to Dana Corporation to enable them to complete the requirements for the 1974 model buildout. This resulted in considerable expense in the area of \$1,000,000 but did demonstrate corporate responsibility to its customers. This tooling is currently being returned to the company's plant in Thorold.

Hayes-Dana enters the 1975 model year with current demand from the truck market requiring the Drive Train plants to operate at a high level of activity. There has been no slackening in the aftermarket sector and with the clarification of the energy situation, the passenger car market appears to have stabilized, and frame schedules indicate that this facility will operate at an acceptable level.

The company looks for a return in 1975 to the growth pattern and level of earnings it had previously established for the seventies."

Enclosed with this letter is a cheque in payment of the quarterly dividend payable today to shareholders of record on September 13, 1974, at the rate of 6 cents per share on the Class A Common shares, and the equivalent rate of 5.1 cents per share on the Class B Common shares.

G. B. MITCHELL, *Chairman of the Board*GEORGE D. DORESCO, *President*

OUR COVER . . . . .

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**HAYES-DANA LIMITED**  
THOROLD, ONTARIO

# NEWS RELEASE

**AR14**

CONTACT: W.S. Thompson, Esq.  
Vice-President, Administration

416/227-3751

FOR RELEASE: Immediately

*Can corp*

Hayes-Dana Limited of Thorold, Ontario, today reported that sales for the first six months of the current fiscal year ending August 31, 1974 were \$51,248,000, 8% higher than the \$47,381,000 last year. The increase was entirely due to shipments from the Drive Train Division plants which continue to operate at capacity to meet the schedules of the manufacturers of trucks and small passenger cars, and from aftermarket operations.

The unexpectedly severe decrease in sales of automobiles in the United States resulted in schedule cuts in the Frame Division, and during the second quarter operations were well below capacity. While this had a significant effect on earnings, the impact was eased by the buoyancy of the Drive Train operation and by cost-saving measures throughout all Divisions. For the six months net income was \$2,023,000, equal to 34 cents per share, compared to 39 cents in 1973, restated to recognize the 5% stock dividend in October.

*2.316.000*

With dealer inventories of intermediate cars remaining at high levels, Frame schedules will continue to be curtailed for the next quarter. Demand for the products of the Drive Train Division and the Aftermarket group are expected to continue. Earnings will remain under pressure because of the severe inflation currently being experienced in Canada. Frequent increases in the cost of materials and supplies, including significant surcharges on steel, make it difficult to keep selling prices current.

There is considerable buoyancy in most sectors of our economy with the exception of passenger car sales. Management believes that this condition will prevail at least at today's pace for the next several months. They still look for a significant upturn in all areas before the end of 1974 as the effects of current problems ease.

March 20, 1974.

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**HAYES-DANA LIMITED**  
THOROLD, ONTARIO

# NEWS RELEASE

CONTACT: W.S. Thompson, Esq.,  
Vice-President, Administration

416/227-3751

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FOR RELEASE:      Immediately

Hayes-Dana Limited today announced that the regular quarterly dividend had been declared by the Board of Directors, payable on June 28, 1974, to shareholders of record June 14, 1974.

The dividend will be paid at the rate of 6 cents per share on the Class "A" common shares and 5.1 cents per share on the Class "B" common shares.

March 20, 1974.







**HAYES-DANA LIMITED**  
THOROLD, ONTARIO

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is hereby given that the Annual Meeting of Shareholders of Hayes-Dana Limited will be held at the Holiday Inn, Queen Elizabeth Highway and Lake Street Interchange, St. Catharines, Ontario, on Wednesday, November 6, 1974, at 11:00 o'clock in the forenoon (Eastern Standard Time) for the following purposes:

1. To receive the consolidated financial statements of the Company and its subsidiaries for the year ended August 31, 1974, together with the reports of the Directors and Auditors thereon;
2. To elect Directors;
3. To appoint Auditors and to authorize the Directors to fix their remuneration; and
4. To transact such further business as may properly come before the meeting or any adjournment thereof.

By Order of the Board,

W. S. THOMPSON,  
Secretary.

DATED at Thorold  
this 18th day of  
October, 1974.

We ask that you promptly sign, date and return the enclosed proxy in the enclosed return envelope if it is not your intention to be present at the Meeting. If you are personally present at the Meeting and desire to do so you may withdraw your proxy and vote in person.

# INFORMATION CIRCULAR

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## SOLICITATION OF PROXIES

This information circular is furnished in connection with the solicitation by the management of HAYES-DANA LIMITED (the "Company") of proxies to be used at the Annual Meeting of the Shareholders of the Company to be held at the Holiday Inn, Queen Elizabeth Highway and Lake Street Interchange, St. Catharines, Ontario, on Wednesday, November 6, 1974, at 11:00 o'clock in the forenoon (E.S.T.). The cost of such solicitation will be borne by the Company.

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors of the Company. A shareholder desiring to appoint some other person to represent him at the meeting may do so either by inserting such person's name in the blank space provided in the form of proxy or by completing another proper form of proxy and, in either case delivering the completed proxy to the Secretary of the Company.

A shareholder who has given a proxy may revoke the proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such meeting on the day of the meeting or adjournment thereof.

## EXERCISE OF DISCRETION BY PROXIES

The shares represented by proxies solicited by management will be voted or withheld from voting with respect to matters referred to therein in accordance with the specifications made in the proxy.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations, if any, to matters identified in the notice of meeting and with respect to other matters which may come before the meeting. At the time of printing this circular the management of the Company knows of no such other matters to come before the meeting other than the matters referred to in the notice of meeting.

## VOTING SHARES

The Company has outstanding 5,825,514 Class A Common Shares without par value and 160,016 Class B Common Shares without par value. There is no other class of shares outstanding. Each shareholder is entitled to one vote for each Common Share registered in his name at the time of the meeting.

Dana Corporation owns beneficially 3,961,937 Class A Common Shares without par value representing approximately 66% of the outstanding Common Shares of the Company.

## ELECTION OF DIRECTORS

The board consists of ten directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below, all of whom are now members of the board of directors and have been since the dates indicated. The management does not contemplate that any of the nominees will be unable to serve as director, but if that should occur for any reason prior to the meeting, **the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.** Each director elected will hold office until the next Annual Meeting or until his successor is elected under the Company's by-laws.

The following table and notes thereto state the names of all the persons proposed to be nominated for election as directors, all other positions and offices with the Company now held by them, their principal occupations or employments, the year in which each of the present directors first became a director of the Company, and the approximate



number of shares of each class of the Company beneficially owned directly or indirectly by each of them as of September 25, 1974. The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective directors individually.

<u>Name</u>	<u>Positions held in the Company</u>	<u>Principal occupation or employment</u>	<u>Became a Director</u>	<u>Shares Owned Beneficially</u>
H. J. Carmichael	Director and Member of the Executive Committee	Industrialist; Director, Continental Can Co. of Canada Ltd. and The Ontario Jockey Club.	1952	78,200 Class A
A. G. Coulter	Director	Vice-President, Seeburn Metal Products Limited	1965	2,117 Class A
G. D. Doresco	President	President, Hayes-Dana Limited.	1973	10,337 Class B
J. E. Martin	Director and Chairman of the Executive Committee	Chairman of the Executive Committee, Dana Corporation.	1956	22,107 Class A
R. C. McPherson	Director	Chairman of the Board, Dana Corporation.	1960-69 1972	9,817 Class A
G. B. Mitchell	Chairman of the Board.	President, Dana Corporation.	1963	10,249 Class A
S. T. Paton	Director	Deputy Chairman, Toronto-Dominion Bank.	1969	1,103 Class A
B. R. Reimer	Director	Group Vice-President, Dana Corporation.	1969	200 Class A
J. D. Stevenson, Q.C.	Director	Partner of Smith, Lyons, Torrance, Stevenson and Mayer.	1963	8,228 Class B
D. G. Willmot	Director and Member of the Executive Committee	Chairman of the Board, The Molson Companies Limited.	1961	16,900 Class B

#### REMUNERATION OF DIRECTORS AND OFFICERS

1. The aggregate direct remuneration paid or payable by the Company and its subsidiaries during the Company's fiscal year ended August 31, 1974 was \$19,000 to seven directors and \$308,000 to ten officers, three of whom are directors.
2. The estimated aggregate cost to the Company and its subsidiaries, directly or indirectly, in the Company's fiscal year ended August 31, 1974, of all pension benefits proposed to be paid under the Company's present plan to the directors and officers of the Company in the event of retirement at normal retirement age was \$39,082.
3. During the Company's fiscal year ended August 31, 1974, officers and directors exercised options to purchase 1323 Class A Common Shares at a price of \$4.99 per share. During the 30 day period preceding the date of the exercise, the Common Shares of the Company traded on The Toronto Stock Exchange at prices varying between \$9.50 and \$8.00 per share.

#### APPOINTMENT OF AUDITORS

The persons named in the accompanying proxy intend to vote for the reappointment of Price Waterhouse & Co., Chartered Accountants, as auditors of the Company and for the authorization of the directors to fix their remuneration.

Thorold, Ontario  
October 18, 1974





# REPORT TO SHAREHOLDERS:

For the first quarter of our 1974 fiscal year sales ran at a rate ahead of the previous year. However, the impact of the energy crisis on passenger car sales reduced the overall volume significantly in the second quarter and after some recovery over the next three months our fourth quarter suffered the effects of a strike which shut down our Frame, Forge and Drive Train plants for almost seven weeks. Total sales for the year ended August 31, 1974, were \$90,051,000 compared with \$97,735,000 in 1973.

The lengthy strike was costly and resulted in a loss in our fourth quarter. However, the three-year contract which we negotiated was in line with the best settlements accepted in our industry and included those elements that are important and necessary to allow us to compete effectively in the markets we serve.

As a result of these factors, net income for the year was \$2,408,000, or 40 cents per share, compared to the \$4,649,000, or 78 cents per share earned last year, after adjustment to reflect the 5% stock dividend in October, 1973.

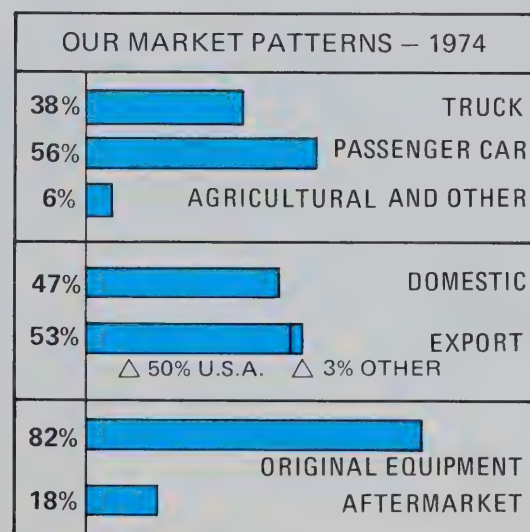
During the strike, with the co-operation of other Dana divisions, we spared no effort to keep our customers supplied. It was necessary to transfer some frame dies and tools to an associate Dana plant in the United States in order to complete the requirements for the 1974 model buildout. This move incurred expenses in the area of \$1,000,000 but it did demonstrate our responsibility to our customer and confirmed our reputation as a reliable supplier. The tooling has now

been returned to our Thorold plant.

Generally speaking, with the exception of our Frame Division which supplies only the passenger car sector, our manufacturing facilities operated at near capacity levels and the aftermarket demand for service parts remained exceptionally strong throughout the year.

Hayes-Dana serves the automotive industry in its broadest interpretation. Our Frame Division currently supplies components for intermediate-size passenger cars. However, in our other divisions, we have a considerable measure of diversity. In the past year 44% of our total sales went to the truck, off-highway equipment and agricultural equipment markets. More than 50% of our products were exported, mainly to the United States.

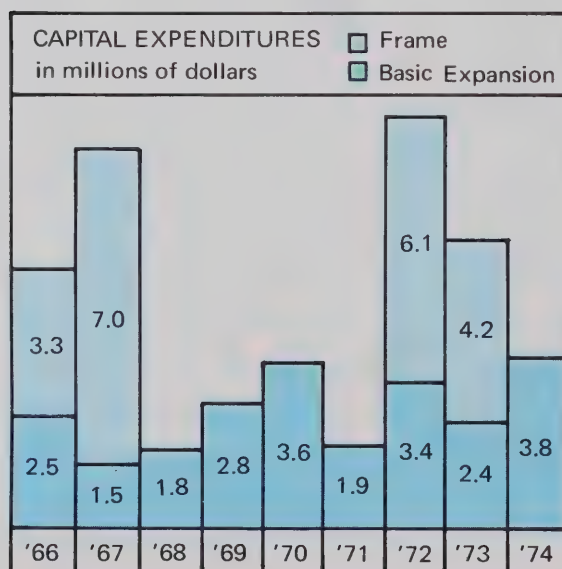
Excluding frames for which there is no aftermarket potential, the other divisions derived almost 30% of their revenues from the service parts market. No one customer, except in the case of frames, accounted for more than 10% of our total volume.



## CAPITAL PROGRAM

To meet the increasing requirements of our customers, we invested \$3,825,000 in additions to our plant facilities. Of this amount, \$2,350,000 was spent to provide additional capacity for truck components in our Drive Train and Forge Divisions. In the Frame Division we spent \$900,000 mainly to improve productivity through better materials handling.

While we approach the current year with caution, we recognize the necessity to continually improve the efficiency of our facilities in order to meet the market demand for both quality and quantity. We have developed a continuing capital program which recognizes these obligations but also takes into consideration the availability and cost of money.



## FINANCIAL

In spite of the decrease in net earnings for the year, we had a positive cash flow — net income

plus straight-line depreciation and amortization — of \$6,600,000.

Scheduled repayments totalling \$1,500,000 were made in December 1973 and June 1974, reducing our long-term debt balance to \$6,000,000, of which a further \$2,000,000 is due to be repaid in the current year.

For the 32nd consecutive year, cash dividends were paid. These are now on a quarterly basis at an annual rate of 24 cents per share on the Class A common shares and on a tax-paid basis at the equivalent rate of 20.4 cents per share on the Class B shares.

At their meeting last November, the Board approved the formation of an audit committee, composed of three outside directors. Its duties and responsibilities will involve liaison with our independent auditors with respect to the scope of their audit and the adequacy and effectiveness of the company's financial controls.

## ORGANIZATION

As a result of the shift in product and market emphasis over the past several years, there have been changes in the relative size and make-up of our operating divisions. During the past year we have recognized some of these changes.

We have established our Forge operation as a separate division. We have also combined the Nasco and

Perfect Circle-Victor Divisions with the Hayes-Dana Service Parts section of the Drive Train Division to form the Aftermarket Division.

We believe that this restructuring is more suited to grasp the opportunities offered by the markets we supply and that it will provide better direction to our efforts to improve our penetration of these markets.

### ACQUISITIONS

During the year our search for suitable acquisitions continued. Negotiations were conducted with a major company in the aftermarket but up to now we have been unable to reach a mutually satisfactory agreement. We are convinced that, at the present, the service parts sector offers us the best opportunity for acquisition or expansion.

We did embark on a joint venture with a United States company, forming Muncie Canada Limited, to distribute power systems for truck-mounted auxiliary equipment. The operation, though still small, exceeded our sales projections and was profitable in its first year of operation. Having successfully tested the market for this specialized service, we are now studying the possibility of expansion across the country.

We are also investigating opportunities associated with the processing of domestic raw materials, an area which we believe could offer us advantages as a Canadian manufacturer.

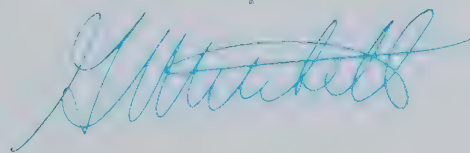
### OUTLOOK

The past year brought many problems to the business scene — a worldwide energy crisis, accelerating inflation, mounting unemployment coupled with a lack of skilled personnel and shortages in critical materials including steel. In legislative circles, there is an air of uncertainty as government leaders grope for solutions. While these factors make the conduct of day-to-day business difficult, we accept them as challenges and at Hayes-Dana we approach the future with cautious confidence.

As we enter our 1975 fiscal year, we face customer demands which will keep our plants and service facilities operating at close to capacity. With the return of the special frame tooling from our associate plant in the United States, our frame schedules have firmed up to adequate levels.

On this basis, we look for a return to the growth pattern and level of earnings we had established for the seventies.

Respectfully submitted  
On behalf of the Board of Directors



G. B. MITCHELL, Chairman of the Board



GEORGE D. DORESKO, President

October 18th, 1974





John Youritchuk, Product Manager, Forge Division, (left), visually inspects the quality of end-yoke forgings with Ernie Sibbert.

Harry Rennie, Electrician, (right), confers with Jim McGill, Manager, Forge Division, on the installation of a new machine that duplicates reverse impressions of forging dies for the production of drop-forged parts.



## FORGE DIVISION

Our Forge plant, long a part of our Drive Train operation, has now been established as an autonomous division. To meet the steady increase in demand for quality "closed-die" forgings from the Drive line and Axle plants of the Dana group here in Canada and in the United States, the output of the facility has almost doubled over the past five years.

While the operation is "captive", with no outside customers, it still must compete for its business with independent external sources which still supply a significant part of the Dana group's forging needs.

Faced with increasing requirements for forged components, particularly for the heavy-duty truck and equipment market, the division has plans to steadily expand its capacity over the next few years.

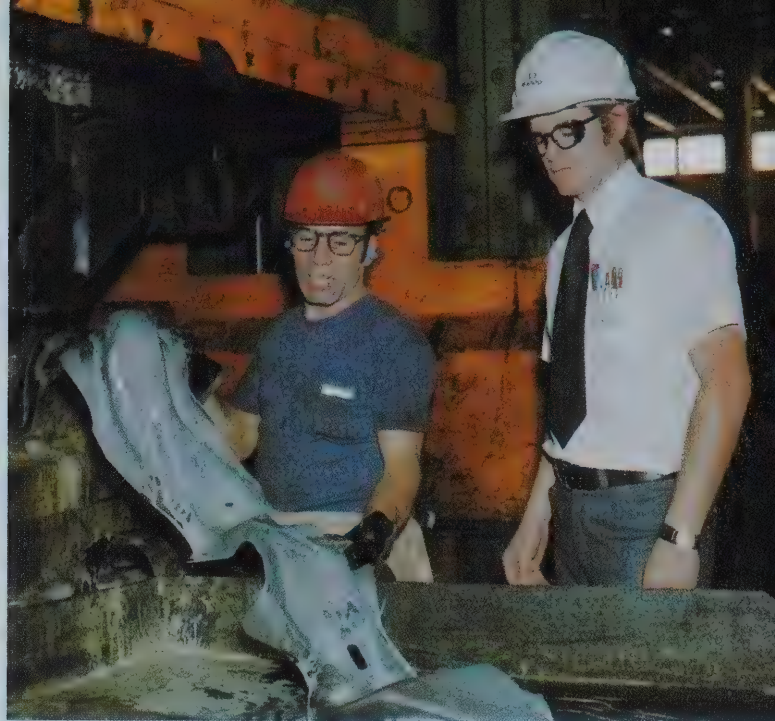


## FRAME DIVISION

Our Frame Division depends on the intermediate-size passenger car market, and the 1974 volume suffered as a result of the impact of the energy crisis and was further curtailed by the strike in the final quarter.

Current schedules are maintaining the operation at an adequate level of production. Indications are that the intermediate-size car will continue to improve its share of the market and on this basis we expect our operating performance to improve over the balance of the year.

We do recognize the serious challenges that we face in today's economic environment. Within the division every effort is being made to increase productivity by the introduction of simplified automation, and to improve costs. We foresee some changes in the market for passenger car frames over the next several years. This will present an opportunity for us to increase the sales in this division.



Leo Manni, Press Area Manager, Frame Division, checks the production of cross members for automotive frames with Tony Rosa, press operator.

Hugh Cosgrove, Manager, Frame Division, (centre), gets a first-hand report on quality maintenance in the production of automotive frames from Ed Cheevers, floor inspector, on the left and Jim Neelin, layout inspector at a test-bed on one of the plant's three main assembly lines.







Don McKay, Manager, Drive Train Plant, Thorold, (left), discusses final straightening operation on a 1610-series heavy-duty propeller shaft with Blair Thompson.

Les Skipper, Resident Engineer, Drive Train Plant, (right), checks with Bill Easby, President of Perma Mix Ltd., St. Catharines, on the performance of a specially designed multi-shaft drive train system for an articulated ready-mix concrete truck with a Gross Vehicle Weight of 80,000 lbs.



## DRIVE TRAIN

The North American truck market showed no signs of slowing down through 1974, particularly in the heavy-duty area. As a result, our senior division continued to operate at peak level, interrupted only by the strike in the fourth quarter.

We have continued our program to rationalize our production facilities with the comparable divisions in the Dana group. This allows us to provide reliable service to all our North American customers for heavy-duty drive lines and universal joints. We are attempting to follow Dana's Axle



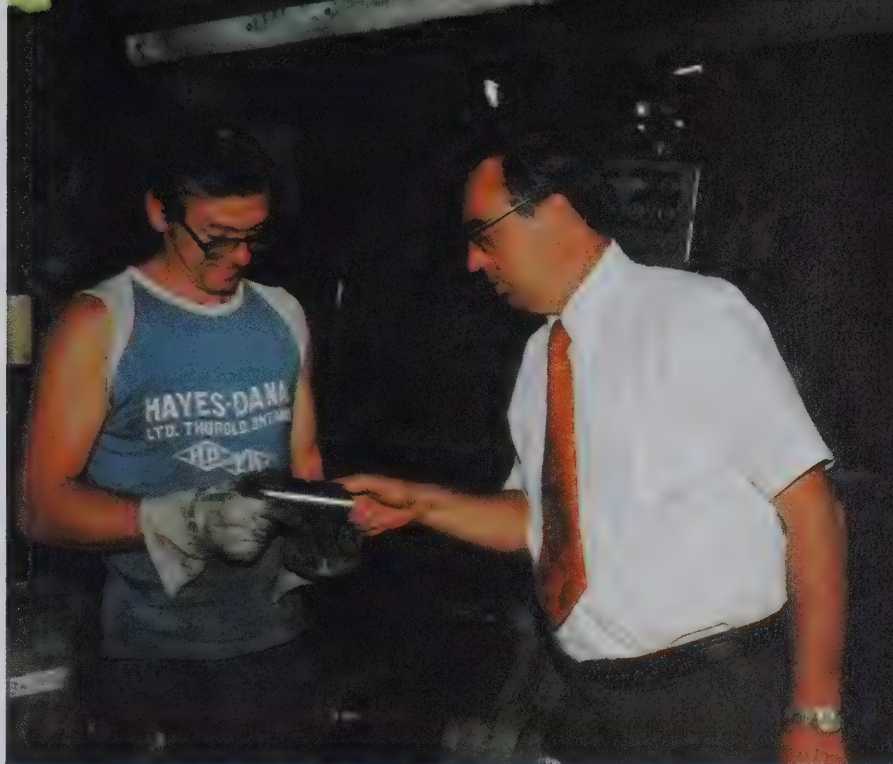


## DIVISION

Division into overseas markets as a prime supplier of axle shafts for the facilities they are establishing.

In the agricultural sector, demand for our products continues to increase as worldwide food shortages create a need for more mechanized farm equipment. We are continuing our product development programs, to meet the demanding requirements of the more powerful and sophisticated equipment being produced by our customers.

With no letup in the demand for its products from the several markets it supplies, the division expects to operate at or near capacity during 1975 and is undertaking a significant expansion program to support this forecast.



Basil Reid, Area Manager, (right), checks a press-up and assembly operation on Ag-master power-take-off joints with Albert Winstanley at the Thorold Agricultural Plant.

Ted Trojanowski, Manager - Sales and Engineering, Drive Train Division, (right), and John Kulak, Product Designer, John Deere Welland Plant, discuss the application of an Ag-master power-take-off shaft, which is totally enclosed with safety shielding, recently developed for a Deere five-foot rotary cutter.



Left: Stan Magda, Account Manager, Drive Train Division, (left), keeps in close contact with his customers to assure that quality and delivery meet their requirements. He is shown with Chris Faerge, Production Superintendent of the Mack Truck Plant in Oakville with a recently arrived shipment of Spicer drive shafts.



## AFTERMARKET



Bob Mossberger, Manager, Aftermarket Division, (right), talks with Sigismondo D'Altorio, as he completes the assembly of a heavy-duty alternator at Nasco Remanufacturing Plant.

No section of our company has experienced steady growth in recent years. The newly-formed Division comprises the Nasco Remanufacturing facility and Hayes-Dana Service warehouses supporting a network of more than 100 service centers.

Over the years, as independent operations, these divisions have improved service to our customers. Today, however, they are coming together under one management group with one clear objective: to concentrate its attention on providing service to the industrial equipment markets, on all our product lines.

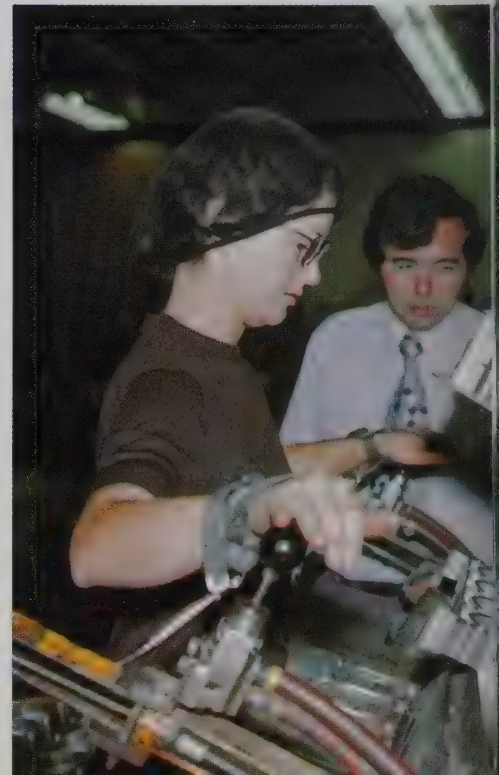
We are also looking to add quality lines that can be marketed with our present products and at the same time we are expanding our distribution network to offer better coverage to the major markets.

Associated with the aftermarket is our Special Service Department, which prepares and installs custom equipment, primarily for the agricultural market. At its two locations — Kerr Industries in Oshawa and Hayes-Dana in Detroit — these operations have established excellent reputations with customers, and their plans include an expansion into the service area.

With reason, we regard the service parts sector as a key area and therefore have been seeking acquisitions in this area. In September, to the shareholders, we did establish a new specialist division on a joint-venture basis with Muncie Parts Manufacturing Company.

Tom Saxton, Sales Manager, Perfect Circle-Victor and Nasco, (left), checks a rush order for a heavy-duty clutch with Roy Honda, shipper, at Nasco.

Roger Heise, recently appointed Plant Manager, is becoming familiar with the many processes involved in manufacturing laminated cylinder head gaskets. Here he talks with Beatrice Oniszczyk.





# DIVISION

growth than our service parts operations. The Perfect Circle-Victor operation, the Service Parts, with its seven coast-to-coast and the Line Specialist Jobbers.

free co-operated, where practical, to seems more appropriate to join them defined long-term goal. The division heavy-duty truck, off-highway and

effectively marketed in conjunction planning to expand our regional fleets and heavy equipment operators.

es Division which does pre-delivery trucks for the vehicle manufacturers, Canadian Traction in Oakville. These the major fleets and distribution centres its market.

"recession-resistant" market. We have mber, 1973, as stated in our report tributor, Muncie Canada Limited, on a an Indiana-based company.

ger, Perfect Circle-Victor Plant, is busy involved in the manufacture of gaskets. he forms flanges on metal sheeting for



Harry Kerr, President, Hayes-Dana Special Services, discusses the conversion of a new truck from gas to diesel power with Gib Badgley, Service Manager, Canadian Traction. This vehicle is destined for delivery to a mining site in Northern Canada.

Warren Bryan, Manager, Hayes-Dana Service Parts, watches as Fred Fishleigh, President of Wright Machine and Tools Limited, checks a custom length drive shaft made up in his shop. Wright Machine is one of more than one hundred Drive-line Specialists, strategically located across Canada, who service the wide range of vehicles and equipment which depend on Hayes-Dana products.





## CONSOLIDATED BALANCE SHEET

ASSETS	AUGUST 31 1974	AUGUST 31 1973
CURRENT ASSETS:		
Cash	\$ 162,000	\$ 122,000
Accounts receivable	10,437,000	9,054,000
Inventories (Note 2)	20,303,000	18,659,000
Prepaid expenses	823,000	425,000
	31,725,000	28,260,000
FIXED ASSETS, AT COST:		
Land and improvements to land	900,000	872,000
Buildings	10,035,000	9,258,000
Machinery and equipment	41,645,000	38,813,000
	52,580,000	48,943,000
Less- Accumulated depreciation	21,382,000	18,131,000
	31,198,000	30,812,000
OTHER ASSETS:		
Investments at equity	564,000	464,000
Investments at cost	299,000	173,000
Unamortized deferred expenses (Note 3)	1,362,000	2,083,000
	2,225,000	2,720,000
APPROVED ON BEHALF OF THE BOARD:		
G. B. MITCHELL, Director	\$65,148,000	\$61,792,000
GEORGE D. DORESCO, Director		

**HAYES-DANA LIMITED**  
AND SUBSIDIARY COMPANIES

<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>AUGUST 31 1974</b>	<b>AUGUST 31 1973</b>
<b>CURRENT LIABILITIES:</b>		
Bank advances	\$ 8,665,000	\$ 4,603,000
Accounts payable and accrued liabilities	11,896,000	11,836,000
Due to Dana Corporation	383,000	703,000
Income taxes payable	—	1,118,000
Current portion of long-term debt	2,000,000	1,500,000
Dividend payable	358,000	342,000
	<b>23,302,000</b>	<b>20,102,000</b>
<b>LONG-TERM DEBT:</b>		
7-3/8% secured debenture (Note 4)	4,000,000	6,000,000
<b>DEFERRED INCOME TAXES</b>	<b>8,184,000</b>	<b>6,986,000</b>
<b>SHAREHOLDERS' EQUITY (Notes 5 and 6):</b>		
Class A and Class B inter-convertible capital stock without nominal or par value —		
Authorized— 8,000,000 shares		
Issued— 5,985,530 shares, (5,825,514 Class A and 160,016 Class B as at August 31, 1974)	9,274,000	9,121,000
Retained earnings	20,388,000	19,583,000
	<b>29,662,000</b>	<b>28,704,000</b>
	<b>\$65,148,000</b>	<b>\$61,792,000</b>

## CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	YEAR ENDED AUGUST 31 1974	YEAR ENDED AUGUST 31 1973
Sales	\$90,051,000	\$97,735,000
Dividends, interest and other income (net)	220,000	224,000
	90,271,000	97,959,000
Costs and expenses (including depreciation of \$3,376,000 in 1974 and \$2,995,000 in 1973):		
Cost of sales	81,124,000	85,805,000
Selling, general and administrative expenses	3,641,000	3,175,000
Interest on long-term debt	509,000	544,000
Bank interest	685,000	496,000
	85,959,000	90,020,000
Income before income taxes	4,312,000	7,939,000
Income taxes	1,904,000	3,290,000
Net income for the year	2,408,000	4,649,000
Dividends declared (Note 5)	1,603,000	1,368,000
Earnings retained in business	805,000	3,281,000
Retained earnings:		
Beginning of year	19,583,000	16,302,000
End of year	<u>\$20,388,000</u>	<u>\$19,583,000</u>
Net income per share	40¢	78¢
Cash dividends paid per Class A share on an annual basis	24¢	23¢
Cash dividends paid per Class B share on an annual basis	20.4¢	—



**HAYES-DANA LIMITED**

AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF

**SOURCE AND USE OF FUNDS**

	YEAR ENDED AUGUST 31 1974	YEAR ENDED AUGUST 31 1973
Source of funds:		
Net income	\$ 2,408,000	\$ 4,649,000
Charges not requiring current funds—		
Amortization of deferred expenses	816,000	416,000
Depreciation	3,376,000	2,995,000
Deferred income taxes	1,198,000	1,015,000
Funds from operations	7,798,000	9,075,000
Debenture proceeds	—	3,500,000
Capital stock issued	11,000	6,000
	7,809,000	12,581,000
Use of funds:		
Additions to plant and equipment (net)	3,762,000	6,547,000
Dividends and special tax paid	1,461,000	1,368,000
Increase in other assets, before amortization of deferred expenses	321,000	2,583,000
Reduction of long-term debt	2,000,000	1,500,000
	7,544,000	11,998,000
Increase in working capital	265,000	583,000
Working capital at beginning of year	8,158,000	7,575,000
Working capital at end of year	\$ 8,423,000	\$ 8,158,000

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — AUGUST 31, 1974

### 1. SUMMARY OF ACCOUNTING POLICIES:

The significant accounting practices and policies employed in the preparation of the consolidated financial statements of Hayes-Dana Limited and its subsidiaries are summarized below.

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary companies, Hayes-Dana Parts Co. Ltd., Hayes-Dana Properties Limited, Hayes-Dana Special Services Limited and HDSP Parts Limited.

Investments in corporate joint ventures are carried at cost plus equity in their undistributed net income.

Other long-term investments including one minor foreign subsidiary are carried at cost.

Depreciation is computed over the estimated useful lives of property, plant and equipment using the straight-line method for financial reporting purposes and accelerated depreciation methods for income tax purposes. Amounts equal to the related reduction in income taxes as a result of the accelerated depreciation are provided in deferred income taxes. The carrying value of properties retired or otherwise disposed of, and accumulated depreciation thereon, are removed from the accounts and any resulting gain or loss is recognized in income.

Expenditures for maintenance and repairs are charged to income and renewals and betterments are capitalized.

The Company's frame plant operations are affected to some extent by car model changes. It is the Company's policy to defer expenditures incurred to bring the frame plant into full production as a result of major expansions and model changeovers, and to amortize such expenditures over the estimated production life of the new design.

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the year. Shares reserved for issuance under the stock option plan would not materially dilute earnings per share.

### 2. INVENTORIES:

The inventories are stated at the lower of cost and net realizable value with cost determined on a first-in first-out basis, and at August 31 include:

	<u>1974</u>	<u>1973</u>
Raw materials	\$ 6,146,000	\$ 5,827,000
Work-in-process and finished goods	<u>14,157,000</u>	<u>12,832,000</u>
	<u>\$20,303,000</u>	<u>\$18,659,000</u>

### 3. UNAMORTIZED DEFERRED EXPENSES:

During the year \$816,000 of deferred expenses was charged against earnings of the current year. This included \$800,000 relating to costs incurred in 1973 to bring the frame plant expansion into full production. In 1974 model changeover costs of \$95,000 have been deferred of which \$16,000 was charged against earnings of the current year. The unamortized deferred expenses of \$1,362,000 at August 31, 1974 will be amortized: \$832,000 in 1975, \$515,000 in 1976 and \$15,000 in 1977.

### 4. LONG-TERM DEBT:

During the year the Company repaid \$1,500,000 of the 7-3/8% secured debenture, leaving a balance of \$6,000,000 at August 31, 1974. The Company is required to make semi-annual repayments of \$1,000,000 in December 1974, and June and December 1975, and \$1,500,000 in June and December, 1976.

### 5. CAPITAL STOCK:

Capital stock of the Company increased by 284,925 shares as a result of a 5% stock dividend declared June 20, 1973 and paid on October 31, 1973. Retained earnings of \$142,000, representing 50¢ per issued share,

were capitalized with respect to the stock dividend after payment of a special tax of \$25,000. During the year the shareholders approved the reclassification of share capital into Class A and Class B shares. Class A shares are entitled to taxable cash dividends; Class B shares are entitled to dividends out of tax-paid undistributed surplus on hand and 1971 capital surplus on hand. These dividends will be in an amount equivalent to the dividends paid on the Class A shares less any applicable taxes.

### 6. STOCK OPTIONS:

The Employees' Stock Option Plan provides for options to be granted to key employees to purchase up to 110,250 shares of the Company's capital stock at a price equal to the market value of the shares at the date granted. During the year ended August 31, 1974 options on 2,117 shares were exercised for a total cash consideration of \$11,000 and options on 9,975 shares at \$9.05 per share were granted. August 31, 1974 options to purchase 59,623 shares at \$4.99, 9,975 shares at \$9.05 and 1,000 shares at \$11.16 were outstanding including options for 41,479 shares held by directors and officers.

### 7. REMUNERATION OF DIRECTORS AND OFFICERS:

The Company and its subsidiaries paid \$19,000 to seven directors and \$308,000 to ten officers, three of whom are directors.

### 8. PENSION PLANS:

The unfunded past service liability of the Company's pension plans which is being amortized over not more than sixteen years is estimated by independent actuaries to be \$6,600,000 (of which \$4,100,000 represents employees vested benefits). Pension plan expenses for the year amounted to \$1,173,000 (1973 — \$1,142,000).

## AUDITORS' REPORT

### To the Shareholders of Hayes-Dana Limited:

We have examined the consolidated balance sheet of Hayes-Dana Limited and its subsidiaries as at August 31, 1974 and the consolidated statements of income and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1974 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Hamilton,  
September 25, 1974

Price Waterhouse & Co.  
Chartered Accountants



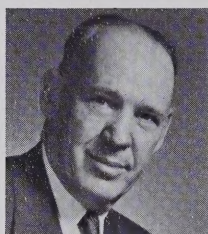
## CONDENSED FINANCIAL SUMMARY

For the Fiscal Years	1974	1973	1972	1971	1970	1969**	1968	1967	1966	1965
<b>OPERATING RESULTS</b>										
SALES.....	\$90,051,000	\$97,735,000	\$64,596,000	\$51,305,000	\$54,945,000	\$65,095,000	\$47,882,000	\$36,800,000	\$39,930,000	\$32,026,000
INCOME BEFORE INCOME TAXES....	4,312,000	7,939,000	5,722,000	3,375,000	3,275,000	4,886,000	2,531,000	2,669,000	4,066,000	2,912,000
Income Taxes .....	1,904,000	3,290,000	2,370,000	1,654,000	1,925,000	2,580,000	1,181,000	1,317,000	2,153,000	1,394,000
NET INCOME .....	2,408,000	4,649,000	3,352,000	1,721,000	1,350,000	2,306,000	1,350,000	1,352,000	1,913,000	1,518,000
NET INCOME PER SHARE *	\$ .40	\$ .78	\$ .56	\$ .29	\$ .23	\$ .39	\$ .23	\$ .23	\$ .33	\$ .32
Net Income for the Year Retained for Growth.....	805,000	3,281,000	2,120,000	527,000	156,000	714,000	158,000	471,000	1,132,000	984,000
Net Income per Share for the Year Retained for Growth*	\$ .13	\$ .55	\$ .35	\$ .09	\$ .03	\$ .12	\$ .03	\$ .08	\$ .20	\$ .21
Cash Dividends .....	1,461,000	1,368,000	1,208,000	1,194,000	1,194,000	1,592,000	1,192,000	757,000	781,000	534,000
Cash Dividends per Share*	\$ .24	\$ .23	\$ .20	\$ .20	\$ .20	\$ .21	\$ .20	\$ .13	\$ .13	\$ .11
<b>YEAR-END FINANCIAL POSITION</b>										
Current Assets .....	31,725,000	28,260,000	28,043,000	19,903,000	21,135,000	20,518,000	17,061,000	17,831,000	17,386,000	14,205,000
Current Liabilities .....	23,302,000	20,102,000	20,468,000	13,405,000	14,543,000	12,035,000	8,383,000	8,995,000	6,441,000	4,121,000
Net Working Capital .....	8,423,000	8,158,000	7,575,000	6,498,000	6,592,000	8,483,000	8,678,000	8,836,000	10,945,000	10,084,000
Ratio of Current Assets to Current Liabilities .....	1.4:1	1.4:1	1.4:1	1.5:1	1.5:1	1.7:1	2.0:1	2.0:1	2.7:1	3.4:1
Property, Plant and Equipment, at Cost	52,580,000	48,943,000	42,738,000	34,227,000	32,738,000	29,633,000	27,129,000	25,959,000	17,666,000	11,420,000
Property, Plant and Equipment, Less Accumulated Depreciation and Amortization .....	31,198,000	30,812,000	27,260,000	20,754,000	21,199,000	19,595,000	18,758,000	18,702,000	10,907,000	5,371,000
Total Assets .....	65,148,000	61,792,000	55,856,000	41,207,000	42,818,000	40,833,000	36,867,000	37,261,000	28,540,000	20,084,000
Long-Term Debt .....	4,000,000	6,000,000	4,000,000	—	1,000,000	2,000,000	3,000,000	4,000,000	—	—
Shareholders' Equity .....	29,662,000	28,704,000	25,417,000	23,297,000	22,770,000	22,614,000	21,900,000	21,643,000	21,042,000	14,978,000
Shareholders' Equity per Share* .....	\$4.96	\$4.80	\$4.25	\$3.89	\$3.81	\$3.78	\$3.66	\$3.64	\$3.63	\$3.11

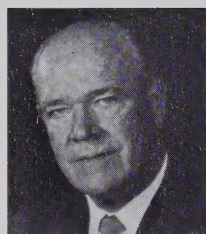
\* Adjusted for 2 for 1 Stock Splits in 1966 and 1973, and 5% Stock Dividends in 1972 and 1974.

\*\* Thirteen months

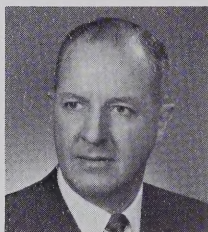




H. J. Carmichael



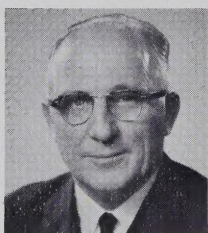
J. E. Martin



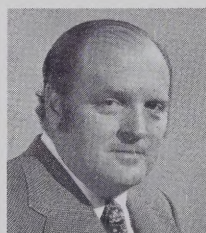
D. G. Willmot



R. C. McPherson



S. T. Paton



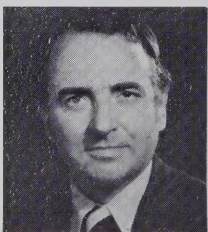
G. B. Mitchell



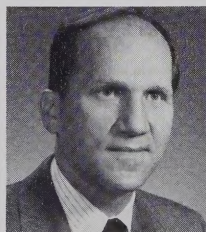
A. G. Coulter



B. R. Reimer



J. D. Stevenson, Q.C.



G. D. Doresco

## Directors

**H. J. CARMICHAEL** — TORONTO, ONTARIO  
INDUSTRIALIST

**A. G. COULTER** — OSHAWA, ONTARIO  
VICE-PRESIDENT - SEEBURN METAL PRODUCTS LIMITED

**G. D. DORESCO** — ST. CATHARINES, ONTARIO  
PRESIDENT - HAYES-DANA LIMITED

**J. E. MARTIN** — TOLEDO, OHIO  
CHAIRMAN OF THE EXECUTIVE COMMITTEE - DANA CORPORATION

**R. C. McPHERSON** — TOLEDO, OHIO  
CHAIRMAN OF THE BOARD - DANA CORPORATION

**G. B. MITCHELL** — TOLEDO, OHIO  
PRESIDENT - DANA CORPORATION

**S. T. PATON** — TORONTO, ONTARIO  
DEPUTY CHAIRMAN - TORONTO-DOMINION BANK

**B. R. REIMER** — TOLEDO, OHIO  
GROUP VICE-PRESIDENT - DANA CORPORATION

**J. D. STEVENSON, Q.C.** — TORONTO, ONTARIO  
PARTNER - SMITH, LYONS, TORRANCE, STEVENSON & MAYER

**D. G. WILLMOT** — TORONTO, ONTARIO  
CHAIRMAN OF THE BOARD - THE MOLSON COMPANIES LIMITED

## Officers

**G. B. MITCHELL** CHAIRMAN OF THE BOARD

**G. D. DORESCO** PRESIDENT

**W. S. THOMPSON** VICE-PRESIDENT - ADMINISTRATION, AND SECRETARY

**H. E. LANGFORD** VICE-PRESIDENT - DRIVE TRAIN DIVISION

**J. E. AYERS** TREASURER

**L. H. DENSMORE** ASSISTANT SECRETARY-TREASURER

**G. G. HOUGH** CONTROLLER

**MISS M. MOSS** ASSISTANT SECRETARY

REGISTRAR AND TRANSFER AGENT: CANADA PERMANENT TRUST COMPANY, TORONTO, ONTARIO  
BRANCHES: VANCOUVER, CALGARY, REGINA, WINNIPEG, MONTREAL, HALIFAX.

CO-TRANSFER AGENT: THE OHIO CITIZENS COMPANY, TOLEDO, OHIO

LISTED — TORONTO STOCK EXCHANGE — HAY. A.





# HAYES-DANA LIMITED

CORPORATE OFFICES  
THOROLD, ONTARIO

## DRIVE TRAIN DIVISION

AUTOMOTIVE PLANTS

\* Thorold, Ontario;  
Burnaby, B.C.

Universal joints, automotive and industrial drive shafts, axle shafts, clutches.

Heavy-duty drive shafts.

AGRICULTURAL PLANT

\* Thorold, Ontario

Power take-off shafts and joints, gear boxes, slip clutches.

AKTIESELSKABET BJM  
(65% owned)

Bogense, Denmark.

Agricultural P.T.O. shafts and heavy-duty truck drive shafts.

## FORGE DIVISION

\* St. Catharines, Ontario

Drop forgings for universal joints, drive shaft and axle components.

## FRAME DIVISION

\* Thorold, Ontario

Automotive frames, structural components.

## AFTERMARKET DIVISION

### MANUFACTURING

PERFECT CIRCLE-VICTOR PLANT

St. Thomas, Ontario

Piston rings, gaskets.

NASCO REMANUFACTURING

\* Stoney Creek, Ontario

Clutches, water pumps, generators, alternators, starters and other electrical components.

### DISTRIBUTION & SERVICE

PERFECT CIRCLE-VICTOR

St. Thomas, Ontario

Piston rings, gaskets, oil seals, packings, etc.

NASCO PRODUCTS

Stoney Creek, Ont.; Burnaby, B.C.;  
Edmonton, Alta.; Winnipeg, Man.;  
Toronto, Ont.; Montreal, P.Q.;  
Moncton, N.B.

Clutches, water pumps, generators, alternators, starters and other electrical components.

HAYES-DANA SERVICE PARTS

St. Catharines, Ont.; Burnaby, B.C.;  
Edmonton, Alta.; Winnipeg, Man.

Universal joints, drive shafts, power take-offs, hydraulic pumps and valves, gear boxes, transmissions, clutches and other drive train components.

TRACTION SPECIALTY LIMITED  
(50% owned)

Montreal, P.Q.; Toronto, Ont.;  
Moncton, N.B.

Distribution of Hayes-Dana Service Parts products, truck service on drive trains, suspensions, air brakes, etc.

MUNCIE CANADA LIMITED  
(50% owned)

Toronto, Ontario

Power systems for auxiliary mounted truck equipment including P.T.O.'s and joints, hydraulic pumps, valves, etc.

## SPECIAL SERVICES DIVISION

KERR INDUSTRIES

\* Oshawa, Ontario

CANADIAN TRACTION

Oakville, Ontario

Motor vehicle preparation, installation of custom equipment and structural modification of commercial vehicles.

\* Division Offices



*a member of the DANA group...*

*a multi-national organization*

**TURNING POWER INTO PROGRESS**

**AROUND THE WORLD**